

Hilton Group Plc



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Hilton Group plc

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United Kingdom (</history/modern-europe/british-and-irish-history/united-kingdom-great-britain-and-northern-ireland>)

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Public Company

Incorporated: 1967 as [Ladbroke Group PLC](/social-sciences-and-law/economics-business-and-labor/businesses-and-occupations/ladbroke-group-plc) (</social-sciences-and-law/economics-business-and-labor/businesses-and-occupations/ladbroke-group-plc>)

Employees: 55,413

Sales: £4.16 billion (\$6.04 billion) (2001)

Stock Exchanges: London

Ticker Symbol: HG

NAIC: 713210 Casinos (Except Casino Hotels); 713290 Other Gambling Industries; 713940 Fitness and Recreational Sports Centers; 721110 Hotels (Except Casino Hotels) and Motels

Since Hilton Group plc was founded more than 115 years ago as a small agency to handle the horseracing bets of [England](/places/britain-ireland-france-and-low-countries/british-and-irish-political-geography/england) (</places/britain-ireland-france-and-low-countries/british-and-irish-political-geography/england>)’s high society, it has grown from a simple partnership between a local horse trainer (Arthur Bendir) and a friend to become one of the world’s leading companies in the hotel and leisure industries. The partnership, originally known as Ladbroke and Co., was named for the village in the county of Warwickshire, England, where it was first established; it became

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[Ladbroke Group PLC \(/social-sciences-and-law/economics-business-and-labor/businesses-and-occupations/ladbroke-group-plc\)](#) in 1967 and then Hilton Group plc in 1999. In the new millennium, Hilton Group consisted of two divisions: Hilton International and Ladbroke Betting and Gaming. During 2001, the former generated only about 37 percent of the revenues of Hilton Group but was responsible for more than 60 percent of the profits.

Hilton International holds the rights to the Hilton name outside of the [United States \(/places/united-states-and-canada/us-political-geography/united-states\)](#), and it operates more than 380 hotels—under the Hilton and Scandic brands—in 70 countries worldwide. Since early 1997 Hilton International and Hilton Hotels Corporation (the owner of the Hilton brand in the [United States \(/places/united-states-and-canada/us-political-geography/united-states\)](#)) have cooperated, through a worldwide marketing alliance, on such matters as sales and marketing, the Hilton HHonors loyalty program, and a central reservation system. Hilton International also operates more than 90 LivingWell health clubs.

Ladbroke Betting and Gaming is the world’s leading bookmaker, with 2,500 betting shops in the United Kingdom, [Ireland \(/places/britain-ireland-france-and-low-countries/british-and-irish-political-geography/ireland\)](#), and [Belgium \(/places/britain-ireland-france-and-low-countries/benelux-political-geography/belgium\)](#). In addition to these in-person betting outlets, Ladbroke also offers telephone and [Internet \(/science-and-technology/computers-and-electrical-engineering/computers-and-computing/internet\)](#) gambling opportunities, with the latter including sports betting, numbers games, and an online casino featuring poker, blackjack, roulette, baccarat, craps, and slot machines. Ladbroke also owns Vernons Pools Limited, which is one of the two major soccer betting pools in the United Kingdom.

Acquisition by Cyril Stein-Led Group of Investors: 1957

Because its betting activities were illegal under British law but permitted on an unofficial basis, Ladbroke maintained a very low profile for almost 70 years after its founding in 1886. After relocating to London’s West End around 1900, it quickly became the country’s quality credit betting business. In 1957 Ladbroke was acquired by a group of investors led by Cyril Stein, who served as chairman until the end of 1993. Spurred by the legalization of offtrack betting in 1963, the size of Ladbroke’s racing subsidiary increased significantly in order to reach beyond the upper classes to all who

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wanted to try their luck at picking a winner. In 1967 the company went public as Ladbroke Group PLC, offering its shares for sale on the London Stock Exchange, and by 1971 the company owned and operated 660 licensed betting shops in the United Kingdom.

Although its betting operations assured Ladbroke of a fairly steady cash flow, Stein knew that Ladbroke also needed to build strong assets as a base for future growth. Applying the expertise they had gained in the racing business, Stein and his management team embarked upon a diversification strategy that took the company beyond horse betting into the property development and hotel industries.

Diversifying Beyond Horse Betting in the 1970s

Through its 1972 acquisition of the London & Leeds Development Corporation, Ladbroke aggressively entered the real estate market with office projects in the eastern [United States \(/places/united-states-and-canada/us-political-geography/united-states\)](#) as well as in [Paris \(/places/britain-ireland-france-and-low-countries/french-political-geography/paris\)](#), [Amsterdam \(/places/britain-ireland-france-and-low-countries/benelux-political-geography/amsterdam\)](#), and [Brussels \(/places/britain-ireland-france-and-low-countries/benelux-political-geography/brussels\)](#). Property development activities in the United Kingdom led to the formation of four other subsidiaries: Ladbroke Group Properties, handling commercial and residential projects in and around London; Ladbroke City & County Land Company, to oversee local and out-of-town retail projects; Gable House Properties, the largest operator of retirement and nursing homes in the country, acquired in 1986 to develop commercial, residential, and retail properties; and Ladbroke Retail Parks, for the construction of retailing centers outside of London.

Ladbroke entered the lodging business in 1973, when it opened three moderately priced hotels which quickly grew into a profitable chain throughout the country. The success of this venture and the continuing health of Ladbroke's betting and real estate operations helped the company weather the severe losses it incurred during a short-lived entry into the casino business. Casinos, which Ladbroke had hoped might be a lucrative adjunct to its hotel business, were abandoned in 1979 after the company lost its license in a highly publicized case in which it was found guilty of violating government gaming regulations.

Expanding Internationally in the 1980s

Five years later, Ladbroke capitalized on an opportunity to expand

its racing operations into Belgium. With the 1984 acquisition of Le Tiercé S.A., a chain of Belgian betting shops, Ladbroke rapidly established itself as a leading force in that country's racing industry. Although a plan to purchase the Arizona-based Turf Paradise racetrack fell through in that same year due to problems with obtaining state regulatory approval, Ladbroke successfully acquired the Detroit Race Course at the beginning of 1985 and took the first step toward making its presence felt in U.S. horseracing.

Further expansion in the European racing market occurred in April 1986 when Ladbroke was awarded exclusive rights to open off-track betting shops throughout [The Netherlands \(/places/britain-ireland-france-and-low-countries/benelux-political-geography/netherlands\)](#). That year also saw the company pursue a new avenue for growth in the retailing area by purchasing Home Charm Group PLC, a leading chain of over 100 do-it-yourself stores operating throughout the United Kingdom under the Texas Homecare name, for £200 million.

The company's growth was marked by expansion and acquisition in some areas balanced by consolidation and divestitures in others. As part of a strategy intended to eliminate involvement in markets in which Ladbroke did not hold a major position, the company sold a number of businesses grouped under its entertainment division in 1986, including Lasky's, a chain of consumer-electronics stores, as well as amusement arcades, bingo halls, and local newspaper-publishing operations, while retaining more profitable ventures in magazine publishing and [cable television \(/science-and-technology/computers-and-electrical-engineering/electrical-engineering/cable-television\)](#).

That accomplished, the company turned its attention to establishing a more contemporary and stable image. Ladbroke instituted several measures intended to upgrade the public's perception of off-track betting parlors, such as adding snack bars and live television. Ladbroke also joined with three other major bookmakers in 1986 to form Satellite Information Services (SIS), a television communications company set up to transmit horse and greyhound racing directly to [Britain \(/places/britain-ireland-france-and-low-countries/british-and-irish-political-geography/britain\)](#)'s off-track betting shops.

The bookmakers' involvement in SIS prompted an investigation by the government's Office of Fair Trading (OFT) into possible conflicts of interest. The government was particularly concerned about the bookmakers' influence on the SIS system and their potential for creating a monopoly, but also about their power to shift attendance

away from the racecourses to off-track shops and thus affect the odds determining payouts for winning bets. A second investigation resulted from similar concerns over the bookmakers' power expressed by the National Greyhound Racing Club. Ladbroke's share in SIS, which was larger than those of the other investors, made it a primary target of the investigation.

At the same time, Ladbroke brought a suit before the High Court in which it accused the Extel communications group of starting a series of false rumors about the company that had caused a run on Ladbroke shares, reducing the company's value by £200 million in only two days. Ladbroke argued that Extel, which operated a competitive sports-information service, had sought to sabotage the first public offering of SIS stock by simultaneously releasing several damaging reports, including a rumor that Cyril Stein had resigned and implications of improper relationships between prominent racing individuals. The rumors were never substantiated, and the OFT investigations ultimately yielded no evidence of wrongdoing on Ladbroke's part.

Company Perspectives

Hilton Group is a global company operating in the hospitality and gaming markets with the leading brand names of Hilton and Ladbrokes. The group intends to enhance shareholder value by exploiting its prime position in these international markets, both of which are expected to experience significant long-term growth.

Acquiring Hilton International in 1987

Although Ladbroke had become the second largest operator of hotels within its own country by the late 1980s, it had not yet achieved a worldwide reputation in the lodging industry. If anything, its sale of the Parkmount Hospitality Corporation and the Dallas-based Rodeway Inn organization to Ramada, Inc. had reduced the company's reach and influence outside the United Kingdom. That all changed in 1987 when Ladbroke successfully acquired the 91-hotel Hilton International chain for £645 million (more than \$1 billion) from Allegis Corporation. Ladbroke's bid for Hilton, which beat out several other heavy weight bidders, represented its second attempt in two years to purchase the hotel chain. The first had fallen short when Hilton's previous owner, Transworld Corporation, turned Ladbroke down in favor of an Allegis bid of higher value. This time, however, Stein used a three-week time limit to pressure Allegis to accept the Ladbroke offer immediately instead of waiting for the other bidders to receive approval from their respective governments.

The Hilton International purchase made Ladbroke one of the largest hotel operators in the world, with a presence in 44 countries, including the United States where Hilton's six Vista International hotels joined the Ladbroke fold. (In 1964 Hilton International had been spun off from Hilton Hotels Corporation, which held the rights to the Hilton name in the United States.) It also gave the company a 50 percent share in Hilton's advanced reservation system, which Ladbroke viewed as an important link to travelers around the world. One year later, Ladbroke upgraded and renamed most of its original hotels in the United Kingdom, reintroducing them as part of the Hilton National chain.

Meanwhile, technological enhancements such as a full-color electronic showboard and new Gold Star shops, with services appealing to a wider range of customers, were introduced to maintain Ladbroke's position as a leader in racing and off-track betting. Its presence as the only British betting company operating in the United States expanded, too: Ladbroke obtained licenses to conduct off-track betting in Wyoming and [Pennsylvania \(/places/united-states-and-canada/us-political-geography/pennsylvania\)](/places/united-states-and-canada/us-political-geography/pennsylvania), acquired The Meadows racetrack in [Pittsburgh \(/places/united-states-and-canada/us-political-geography/pittsburgh\)](/places/united-states-and-canada/us-political-geography/pittsburgh) in 1988, and purchased [San Francisco \(/places/united-states-and-canada/us-political-geography/san-francisco\)](/places/united-states-and-canada/us-political-geography/san-francisco)'s [Golden Gate \(/places/united-states-and-canada/us-physical-geography/golden-gate\)](/places/united-states-and-canada/us-physical-geography/golden-gate) Fields in 1989. Ladbroke also acquired a major competitor in the United Kingdom, Thomson T-Line and its Vernons football pools operation (which involved gambling on British professional soccer games), that same year, increasing its share of the betting business in the United Kingdom.

By the end of the 1980s, Ladbroke's hotels accounted for the largest share of the company's business activity. Since the Hilton acquisition, Ladbroke had opened more than 13 new, four-star hotels around the globe and had many others under development. It also operated numerous holiday villages and health and leisure clubs within the United Kingdom, and the Comfort Hotel chain throughout [Europe \(/places/oceans-continent-and-polar-regions/europe\)](/places/oceans-continent-and-polar-regions/europe). In the late 1980s, more than 50 new outlets were added to the Texas Homecare operation, which was the second largest do-it-yourself retailer in the United Kingdom with 200 stores. Meanwhile, Ladbroke's racing business continued strong with 1,800 retail betting shops throughout the United Kingdom.

Refocusing on Hotels and Betting and Gaming in

the 1990s

The early 1990s were difficult years for Ladbroke as Hilton International suffered from the recession in various parts of the world, Texas Homecare's profits fell because of fierce competition in the do-it-yourself sector, and the company's already troubled U.K. gambling operations were hurt further with the November 1994 debut of a national lottery in the United Kingdom, which particularly affected the Vernons football pools business. The company's reaction to the last of these difficulties was to increasingly look overseas for opportunities to expand its gambling business. In 1993 Ladbroke announced a plan to develop an off-track betting business in [Argentina \(/places/latin-america-and-caribbean/south-american-political-geography/argentina\)](/places/latin-america-and-caribbean/south-american-political-geography/argentina) over the next five years. In January 1995 Ladbroke moved into the bingo hall business in Argentina, when it took over the operation of a bingo hall in [Buenos Aires \(/places/latin-america-and-caribbean/south-american-political-geography/buenos-aires\)](/places/latin-america-and-caribbean/south-american-political-geography/buenos-aires). The company then began to build new bingo halls in Posadas and Salta. Bingo halls were also opened in [Sao Paulo \(/places/latin-america-and-caribbean/south-american-political-geography/sao-paulo\)](/places/latin-america-and-caribbean/south-american-political-geography/sao-paulo), [Brazil \(/places/latin-america-and-caribbean/south-american-political-geography/brazil\)](/places/latin-america-and-caribbean/south-american-political-geography/brazil), during this period.

Key Dates

1886:

A local horse trainer in the village of Ladbroke named Arthur Bendir and a friend establish Ladbroke and Co. to take horseracing bets.

c. 1900:

Company is relocated to London's West End.

1957:

Ladbroke is acquired by a group of investors led by Cyril Stein, who begins a long stint as chairman.

1967:

Company goes public as Ladbroke Group PLC, with a listing on the London Stock Exchange.

1973:

Company enters the lodging business with the opening of three mid-priced U.K. hotels.

1979:

Short-lived entry into the casino business ends when the firm is found guilty of violating government gaming regulations.

1984:

Le Tiercé S.A., a chain of Belgian betting shops, is acquired.

1986:

Company acquires the Texas Homecare chain of do-it-yourself stores.

1987:

Ladbroke acquires Hilton International from Allegis Corporation for more than \$1 billion.

1989:

The Vernons football pools operation is acquired.

1994:

Stein retires; [John Jackson \(/people/literature-and-arts/architecture-biographies/john-jackson\)](#) is named chairman and Peter George, chief executive; strategic reviews are conducted, leading to a decision to refocus the company on hotels and gaming; company reenters the casino business with the purchase of three London casinos.

1995:

Texas Homecare is sold to J Sainsbury.

1997:

Hilton International and Hilton Hotels Corporation enter into a worldwide marketing alliance; Ladbroke's property division is shut down.

1998:

Regulators rule Ladbroke's purchase of the Coral chain of betting shops to be anticompetitive and force the company to sell the chain.

1999:

The company acquires Stakis plc for £1.2 billion, gaining 54 hotels and 22 casinos in the United Kingdom and Ireland, as well as the 68-unit Living Well chain of health clubs; Ladbroke changes its name to Hilton Group plc.

2001:

The company acquires Scandic Hotels AB, the leading operator of hotels in the Nordic region, for £620.2 million.

The turning point for the company's fortunes, however, came at the beginning of 1994, when [John Jackson \(/people/literature-and-arts/architecture-biographies/john-jackson\)](#) was named nonexecutive chairman and Peter George group chief executive, together taking over the leadership of Ladbroke from the retiring Stein. For 37 years, Stein had run the company in a fairly autocratic manner, and, despite Ladbroke's status as a public company, had instilled an aura of secrecy around it. Jackson and George not only promised a new era of collective management and openness—backed up in

March 1994 when the two men participated in the company's first-ever press conference—but also moved quickly to refocus the company's operations. They ordered a series of strategic reviews, which were conducted in 1994 and which concluded that Ladbroke should refocus on hotels and gaming and divest its commercial property and retailing divisions. Subsequently, Ladbroke in March 1995 sold Texas Homecare to [J Sainsbury plc \(/social-sciences-and-law/economics-business-and-labor/businesses-and-occupations/j-sainsbury-plc\)](#) for £290 million. Then, from 1995 to early 1997, Ladbroke gradually disposed of nearly all of the assets of its property division, finally closing the division down in March 1997.

A byproduct of the company's new focus was its return to casino gambling more than 14 years after its ignominious exit from the sector in 1979. In September 1994 Ladbroke established a new gaming subsidiary called Ladbroke Clubs Limited and purchased three London casinos—Maxims, Chesters, and the Golden Horseshoe—from City Clubs Limited for £50 million (\$75 million). Ladbroke then made additional moves toward its goal of establishing a broadly based international gaming operation. In April 1996 the Barracuda Casino, another London casino, was bought from Stakis plc. In July 1997 Ladbroke signed a letter of intent to acquire [Colorado \(/places/united-states-and-canada/us-political-geography/colorado\)](#) Gaming & Entertainment Co., which owned three casinos in the Colorado gambling towns of [Black Hawk \(/literature-and-arts/literature-english/american-literature/black-hawk\)](#) and Central City. The \$87 million deal, completed in August 1998, marked Ladbroke's first foray into casinos in the United States. In August 1997 Ladbroke was awarded a London casino license, which would bring its number of London casinos to five. At the same time, the company was in the process of bidding for three casino licenses in [South Africa \(/places/africa/south-african-political-geography/south-africa\)](#).

In late 1995 and early 1996 Ladbroke became the subject of takeover rumors as its stock continued to perform miserably. The depressed stock was in part caused by the troubles in the company's U.K. betting operations, which continued to take a heavy hit from the national lottery, and by the failure of Ladbroke and Hilton Hotels Corporation to reunite the Hilton brand, which Hilton Hotels was reluctant to do. In fact, Hilton Hotels, which like Ladbroke was also involved in gaming, was one of the companies said to be interested in acquiring Ladbroke. All of this was resolved, however, with the August 1996 announcement that Hilton International and Hilton Hotels had entered into an alliance that would reunite the

Hilton brand, 32 years after it was split apart. The alliance agreement was signed in January 1997, with Hilton International and Hilton Hotels agreeing to cooperate on sales and marketing, loyalty programs, hotel development, and other operational areas. Ladbroke and Hilton Hotels also gained the opportunity to purchase up to 20 percent of each other. In February the first major initiative of the new alliance, the Hilton Honors Worldwide loyalty program (later known as Hilton HHonors), was launched.

Also in February 1997, Ladbroke Racing acquired the A.R. Dennis chain of 114 betting shops in London and southeastern England for £31.3 million. The purchase boosted the number of Ladbroke Racing betting outlets in the United Kingdom to 1,925. By the end of 1997 the revamping of the group's operations initiated by the new managers was clearly taking hold, with Ladbroke posting healthy pretax profits of £226.3 million (\$327.6 million), an increase of 39 percent over the previous year.

At the very end of 1997 Ladbroke acquired the Coral group of companies from Bass plc for £375.5 million (\$543.6 million). Coral was the number three operator of betting shops in the United Kingdom, with more than 800 outlets. The takeover, however, was referred to the Monopolies and Mergers Commission in April 1998, and the commission ruled in September that the merger was anticompetitive and ordered Ladbroke to sell the bulk of the acquired assets within six months. In February 1999 Ladbroke sold the U.K. businesses of Coral to Morgan Grenfall Private Equity Limited, a subsidiary of Deutsche Bank AG, for £390 million. Ladbroke did retain Coral's 50 betting shops in Ireland and eight betting shops in Jersey, which were rebranded under the Ladbrokes name.

Major Hotel Acquisitions and a New Name Around the Turn of the Millennium

During 1998 discussions of a possible merger of Hilton International and Hilton Hotels Corporation went nowhere, and Ladbroke was outbid in the battle to buy the Inter-Continental Hotels and Resorts chain by none other than Bass. Following these setbacks, Ladbroke completed a major hotel acquisition in March 1999, purchasing Stakis plc for £1.2 billion (\$1.9 billion). Gained in the deal were 54 hotels and 22 casinos in the United Kingdom and Ireland, as well as the 68-unit Living Well chain of health clubs. The Stakis hotels were subsequently rebranded under the Hilton name, and their addition made Ladbroke the number two hotelier in the United Kingdom, trailing only [Granada Group PLC \(/social-sciences-and-law/](#)

[economics-business-and-labor/businesses-and-occupations/granada-group-plc](#)). Stakis's chief executive, David Michels, who had worked at Hilton International before joining Stakis, became head of the division following the takeover.

In May 1999, shortly after completion of the Stakis acquisition, Ladbroke changed its name to Hilton Group plc. By doing so, the company adopted the more widely recognized of its two main brands, and the move also reflected the increasing importance of the hotel operations, which now generated two-thirds of the overall profits and represented more than 80 percent of the group's assets. The group's two divisions were now called Hilton International and Ladbroke Betting and Gaming. Also in the immediate aftermath of the Stakis takeover, and following a review of the combined Hilton and Stakis portfolios, Hilton Group sold ten of its U.K. hotels.

After 37 years at the company, George stepped down from his position as chief executive in June 2000, and Michels succeeded him. In November of that year, Hilton Group and Hilton Hotels Corporation formed a joint venture to lead a worldwide expansion of the Conrad brand of luxury hotels. One month later, Hilton Group sold the bulk of its casino operations, including its 27 casinos in the United Kingdom, to Gala Group Holdings Plc for £235.3 million. Seeking to pare back on the large portfolio of hotels that it owned in the United Kingdom—a property portfolio worth £1.9 billion—Hilton Group sold 11 U.K. hotels to the Royal Bank of Scotland Group plc for £312 million; it then leased back the properties so that it continued to run the hotels but no longer had to contend with the burdens of ownership.

The funds raised through these divestments enabled Hilton Group to complete another major hotel acquisition. In June 2001 the company completed a £620.2 million (\$883 million) purchase of Stockholm-based Scandic Hotels AB, the leading operator of hotels in the Nordic region. Most of Scandic's 154 properties were mid-priced hotels and were under either the Scandic or Holiday Inn brand. All of the Holiday Inns and some of the Scandics would be rebranded under the Hilton name, but about 130 Scandic hotels in the Nordic region would retain their name because it was well-known in the region. With the acquisition of Scandic and the opening of 15 new Hilton hotels during 2001, Hilton Group ended the year with 384 hotel properties and nearly 100,000 rooms.

Like most hoteliers, Hilton Group's hospitality operations were quite negatively affected by the global travel slowdown that came in the wake of the events of September 11, 2001. Profits for the year were

flat compared to the previous year, while revenues increased only 2.4 percent. Making up for Hilton International's poor showing was the Ladbroke Betting and Gaming division, which reported an increase in profits of 23 percent. One factor in this increase was Ladbroke's rapidly growing online gambling business, which turned a profit for the first time that year. Looking to the future, Hilton Group was certain to continue to expand its ever more important hotel operations, and from 2002 through mid-2004 it planned to open 41 new Hiltons. There was also continued speculation on two fronts: that the company would divest its Ladbroke division in order to concentrate solely on the hospitality industry; and that the company would merge with, acquire, or be acquired by Hilton Hotels Corporation.

Principal Subsidiaries

Hilton International Co. (U.S.A.); Hilton UK Hotels Limited; International Hotel Services Limited; LivingWell Health & Leisure Limited; Metropole Hotels (Holdings) Limited; Scandic Hotels AB ([Sweden \(/places/germany-scandinavia-and-central-europe/scandinavian-political-geography/sweden\)\)](#)); Stakis Limited; Ladbrokes Limited; Ladbroke (Ireland) Limited; Ladbrokes International Limited (Gibraltar); Tiercé Ladbroke SA (Belgium); Vernons Pools Limited; Hilton Group Finance plc.

Principal Divisions

Hilton International; Ladbroke Betting and Gaming.

Principal Competitors

Marriott International, Inc.; Hyatt International Corporation; Starwood Hotels & Resorts Worldwide, Inc.; Six Continents Hotels, Inc.; [Whitbread PLC \(/social-sciences-and-law/economics-business-and-labor/businesses-and-occupations/whitbread-plc\)](#); Thistle Hotels Plc; Accor; SAS AB; Millennium & Copthorne Hotels plc; William Hill Organization Limited; Coral Eurobet plc; Stanley Leisure PLC; Camelot Group Plc; The Rank Group PLC.

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